

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 08632 01 OF 02 041215Z

41

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 INT-05 AGR-05 AGRE-00 AID-05

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01

SP-02 STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 IO-13

SS-15 NSC-05 PA-01 PRS-01 USIA-06 FEA-01 L-03 H-02

/107 W

----- 119709

R 041128Z SEP 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 1786

INFO ALL EC CAPITALS 2441

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 08632

E.O. 11652: N/A

TAGS: EMIN, ETRD, UNCTAD, EEC

SUBJECT: EC WORKING GROUP DISCUSSES COMMISSION PROPOSALS FOR A
COMMON FUND FOR RAW MATERIALS

1. SUMMARY: THIS MESSAGE HIGHLIGHTS COMMISSION STAFF
PROPOSALS TO ESTABLISH A COMMON FUND FOR RAW MATERIALS.
THE FUND WOULD COMPLEMENT THE FINANCIAL RESOURCES OF
INDIVIDUAL COMMODITY AGREEMENTS. MEMBER STATE EXPERTS
DISAGREE ON MAJOR ASPECTS SUCH AS THE FUND'S SCOPE
AND SOURCES OF FINANCING. COMMISSION OFFICIALS CON-
SEQUENTLY DOUBT THAT THE EC CAN REACH AGREEMENT ON A
SUBSTANTIVE FUND PROPOSAL BY OR NEAR THE SEPTEMBER 30
DEADLINE OF THE UNCTAD SECRETARIAT. NVERTHELESS, THE
EC HAS UNDERTAKEN INTENSIVE CONSULTATIONS ON A COMMON
FUND. COMMISSION OFFICIALS SAY MEMBER STATES AGREE THAT
IT WILL BE DIFFICULT FOR THE EC TO AVOID PARTICIPATING
IN SOME SORT OF FUND. WHILE EC PREPARATIONS
FOCUS ON UPCOMING UNCTAD DISCUSSIONS, THE EC
MIGHT ALSO SUBMIT A FUND PROPOSAL TO THE CIEC
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 08632 01 OF 02 041215Z

IF THIS WERE NECESSARY TO REACH A SUCCESSFUL

CONCLUSION TO THE DIALOGUE. END SUMMARY.

2. THE COMMISSION STAFF HAS SUBMITTED PROPOSALS TO THE MEMBER STATES TO PREPARE FOR UNCTAD NEGOTIATIONS ON A COMMON FUND FOR RAW MATERIALS. (COPIES OF THESE PROPOSALS HAVE BEEN POUCHED TO STATE/EB-WENDT AND OECD PARIS-M. LEVINE.) AS INDICATED IN REFS A AND B, COMMISSION OFFICIALS DO NOT BELIEVE A COMMON FUND MAKES GOOD ECONOMIC SENSE, BUT THEY SAY THE EC CANNOT POLITICALLY AVOID PARTICIPATING IN A FUND. THE COMMISSION CONSEQUENTLY PROPOSES THAT THE EC SHOULD INFLUENCE THE UNCTAD DEBATES AT AN EARLY STAGE BY STATING ITS VIEWS TO THE UNCTAD SECRETARIAT BY SEPTEMBER 30. THE PROPOSAL SUGGESTS THAT THE FUND BE SOLELY A FINANCIAL MECHANISM, I.E., IT WOULD NOT MANAGE OR REGULATE RAW MATERIALS TRADE. THE FUND WOULD BE USED IN THE FOLLOWING CASES: 1) WHEN INDIVIDUAL COMMODITY FUNDS CAN GIVE OR RECEIVE SUPPORT IN A MANNER FACILITATING OVERALL FINANCIAL SAVINGS; AND 2) WHEN THERE IS A FALL IN WORLD MARKET PRICES DURING THE EARLY PERIOD OF BUILDING UP BUFFER STOCKS OR WHEN SUPPLEMENTARY BUFFER STOCK FINANCING IS URGENTLY NEEDED. TO QUALIFY FOR SUPPLEMENTARY FINANCING, CERTAIN UNSPECIFIED CONDITIONS MUST BE MET.

3. BECAUSE OF MEMBER STATE DIFFERENCES, THE PROPOSAL SETS FORTH TWO WAYS THE FUND MIGHT BE FINANCED. FIRST, IT WOULD OPERATE AS A CLEARING SYSTEM BETWEEN DISTINCT COMMODITY FUNDS. IT COULD ALSO BORROW DIRECTLY ON THE MARKET. THE FUND WOULD NOT BECOME AN INSTRUMENT TO ENABLE COMMODITY AGREEMENTS TO FORCE UP PRICES BECAUSE IT WOULD REPRESENT A BALANCE OF CONSUMER PRODUCER INTERESTS. A FUND WOULD ALSO NOT RESPOND UNCONDITIONALLY TO ALL DEMANDS MADE UPON IT. THE SECOND ALTERNATIVE CALLS FOR A FUND HAVING ITS OWN CALLABLE CAPITAL TO ENABLE IT TO BORROW FUNDS. ITS OWN RESOURCES WOULD ALSO HELP MEET SHORT-RUN DEFICITS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 08632 01 OF 02 041215Z

ARISING OUT OF THE OPERATION OF INDIVIDUAL COMMODITY AGREEMENTS. THE COMMISSION SAYS IT IS TOO EARLY TO DETERMINE FINANCIAL NEEDS. (COMMISSION OFFICIALS TELL US PRIVATELY, HOWEVER, THAT THEY HAVE IN MIND AN INITIAL SUBSCRIPTION OF \$1 BILLION OF WHICH THE EC WOULD PROVIDE UP TO \$250 MILLION FRANCE REPORTEDLY AGREES WITH THIS.)

4. THE FUND'S VOTING RIGHTS SHOULD REFLECT THE SOURCES OF FINANCE AND AN APPROPRIATE BALANCE OF INTERESTS OF ALL PARTICIPANTS. (COMMISSION OFFICIALS SAY THAT THEY ENVISION THE INDUSTRIALIZED COUNTRIES HAVING AT LEAST A 50 PERCENT SHARE OF THE VOTING POWER.) THE PROPOSAL ALSO SUGGESTS MAKING THE FUND A SUBSIDIARY OF THE WORLD BANK AND THE IMF SO AS TO AVOID POSSIBLE DUPLICATION OF ACTIVITIES. THE COMMISSION CONCLUDES THAT THE FUND SHOULD COMPLEMENT THE FINANCIAL ARRANGEMENTS OF INDIVIDUAL COMMODITY AGREEMENTS.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 EC BRU 08632 02 OF 02 041228Z

41

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 INT-05 AGR-05 AGRE-00 AID-05

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01

SP-02 STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 IO-13

SS-15 NSC-05 PA-01 PRS-01 USIA-06 FEA-01 L-03 H-02

/107 W

----- 119804

R 041128Z SEP 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 1787

INFO ALL EC CAPITALS 2442

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 08632

5. COMMISSION OFFICIALS TELL US THAT THESE PROPOSALS ARE TOPREPARE FOR UNCTAD DISCUSSIONS. HOWEVER, THEY FORESEE THE POSSIBILITY THAT IN THE FINAL CIEC DISCUSSIONS THE EC MIGHT DECIDE TO PUT FORWARD ITS VIEWS ON THE COMMON FUND, SHOULD SUCH A STEP HELP BRING CIEC TO A SUCCESSFUL CONCLUSION. THESE OFFICIALS ADD THAT THEY ARE NOW PREPARING A PAPER ON COMMODITY ACTIVITIES

OTHER THAN BUFFER STOCKS WHICH THE FUND MIGHT FINANCE. THESE ACTIVITIES INCLUDE DIVERSIFICATION OF PRODUCTION, RESEARCH AND DEVELOPMENT, MARKET FORECASTING AND DEVELOPMENT OF SUPPLY SOURCES. THEY EXPECT TO EXCLUDE FINANCING ACTIVITIES SUCH AS LOCAL PROCESSING, TRANSPORTATION AND DEVELOPMENT AID ON CONCESSIONAL TERMS. THEY DO NOT WANT THE FUND TO BECOME ANOTHER SOFT LOAN WINDOW OF THE WORLD BANK. THESE OTHER ACTIVITIES WILL EVENTUALLY BE INCLUDED IN THE EC PROPOSALS.

6. MEMBER STATES DISCUSSED AT LENGTH ON SEPT 4-5
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 08632 02 OF 02 041228Z

THESE PROPOSALS. WE ARE TOLD THAT EXPERTS FROM ALL MEMBER STATES AGREE ON TAKING A POSITIVE APPROACH TOWARD THE UNCTAD FUND DISCUSSIONS. BUT, MEMBER STATE VIEWS VARY WIDELY. COMMISSION OFFICIALS SAY FRANCE ENDORSES THESE PROPOSALS BECAUSE THEY ARE CLOSE TO THE ORIGINAL FOURCADE IDEAS. THE FRG, WITH GENERAL SUPPORT FROM THE UK, FAVORS THE FUND OPERATING ONLY AS A CLEARING SYSTEM WHICH WOULD FINANCE ONLY BUFFER STOCK OPERATIONS. OTHER MEMBER STATES BELIEVE THE FUND SHOULD AT LEAST HAVE A MINIMAL AMOUNT OF ITS OWN RESOURCES IF IT IS TO BE EFFECTIVE. THE DANES AND DUTCH REPORTEDLY WOULD LIKE TO GO FURTHER THAN THE COMMISSION PROPOSALS. THE NINE AGREE, HOWEVER, THAT THE FUND SHOULD NOT FINANCE ANY ACTIVITIES BEYOND THE SCOPE OF COMMODITY AGREEMENTS. THEY ALSO AGREE THAT THE FUND SHOULD HAVE NO MANAGERIAL ROLE IN COMMODITY TRADE AND THAT INDUSTRIALIZED COUNTRIES SHOULD HAVE AT LEAST 50 PERCENT OF THE VOTING POWER.

7. THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) WILL TAKE UP THE COMMISSION PROPOSALS ON SEPT 8. THIS WILL BE JUST APRELIMINARY DISCUSSION. MEMBER STATE EXPERTS ARE EXPECTED TO CONSIDER COMMISSION STAFF PROPOSALS REGARDING OTHER ACTIVITIES FOR FUND FINANCING ON SEPT 9 OR 10. COMMISSION OFFICIALS HOPE TO REACH SUFFICIENT AGREEMENT SO THAT THE EC CAN SEND A LETTER TO THE UNCTAD SECRETARIAT SETTING FORTH THE GENERAL OUTLINES OF ITS THINKING. THE FIRST DRAFT OF THIS LETTER WILL LIKELY BE PROVIDED TO MEMBER STATES BY SEPT 10.

8. IN VIEW OF THE DISPARITY OF VIEWS, MOST OFFICIALS HERE ARE DOUBTFUL THAT A SUBSTANTIVE LETTER CAN BE AGREED UPON. NEVERTHELESS, EC OFFICIALS PLAN

TO WORK INTENSIVELY THROUGH SEPTEMBER IN ORDER TO
TRY TO REACH SUCH AN AGREEMENT. THE COMMISSION
STAFF IS ALSO PROPOSING THAT THE EC LETTER ASK
THE UNCTAD SECRETARIAT TO REVISE ITS EARLIER ANALYSES
AND LISTS OF PRODUCTS IN LIGHT OF RECENT COMMODITY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 08632 02 OF 02 041228Z

DEVELOPMENTS. COMMISSION OFFICIALS NOTE THAT
SHOULD THE EC SEND A LETTER, THEY PLAN TO SEND A
COPY TO THE OECD. THEY HOPE OTHERS WILL DO THE SAME.
HINTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RAW MATERIALS, TRUST FUNDS, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU08632
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760336-0576
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760990/aaaaczio.tel
Line Count: 238
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2004 by BoyleJA>; APPROVED <13 AUG 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC WORKING GROUP DISCUSSES COMMISSION PROPOSALS FORA COMMON FUND FOR RAW MATERIALS
TAGS: EMIN, ETRD, UNCTAD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006